

## **EURO HIGH YIELD BOND FAM FUND**

### **SUPPLEMENT DATED 1 DECEMBER 2022**

This Supplement contains specific information in relation to the **EURO HIGH YIELD BOND FAM FUND** (the "Fund"), a sub-fund of **FAM SERIES UCITS ICAV** (the "ICAV"), an open-ended umbrella type Irish Collective Asset-management Vehicle with variable capital and segregated liability between sub-funds, authorised by the Central Bank on 1 August 2018 pursuant to the UCITS Regulations.

**This Supplement forms part of and should be read in the context of and in conjunction with the prospectus of the ICAV dated 1 December 2022 and the addendum thereto (together the "Prospectus").**

**An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

**The Fund may invest substantially in money market investments. Investors should note the difference between the nature of a deposit and the nature of an investment in the Fund, in particular the risk that the value of the principal invested in the Fund may fluctuate.**

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#### **Investment Objective and Policies**

The investment objective of the Fund is to provide long term total return (meaning capital growth and income) by primarily investing in a portfolio of Euro denominated fixed income securities (including corporate bonds and treasury bonds).

The Fund seeks to achieve this objective by investing (normally a minimum of 90% of the Fund's Net Asset Value) in non-Investment Grade rated fixed income securities and other higher yielding fixed income securities (including unrated bonds (both fixed and floating rate), which are either issued by companies or issued or guaranteed by government, government agencies or supranational bodies.

The Fund may also invest up to 10% of its Net Asset Value in non-Euro denominated bonds issued by companies or issued or guaranteed by governments, government agencies or supranational bodies in developed markets (such as OECD countries), and emerging markets, which includes exposure to India and China. The Fund's exposure to India and China will be achieved through fixed income securities listed or traded on Recognised Markets in the United States or the European Union, and settled on platforms such as Euroclear or Clearstream.

The fixed income security selection process used by the Investment Manager involves bottom-up analysis (steps 1 and 2) and a top-down overlay (step 3). The first step involves defining the eligible investment universe. A security is deemed eligible if it fulfils the Investment Manager's transparency and corporate governance criteria and if the Investment Manager determines that its exposures to specific risks such as legal, reputational and environmental, are manageable. In the second step the Investment Manager selects the securities within this universe based on its extensive proprietary research capabilities (for example, pricing models designed by the Investment Manager) and "quality investing", with a long-term outlook. "Quality investing" involves identifying assets based on an analysis of the security and credit quality (present and future) and of its valuation (i.e. whether its yield provides an attractive reward for the risks involved). The top-down overlay (third step) consists of adapting the portfolio to the Investment Manager's expectations regarding macroeconomic conditions such as growth, inflation and trends in corporate credit quality.

The Fund may invest up to 15% of its Net Asset Value in contingent convertible securities (CoCos), however this is not expected to exceed 10% of the Fund's Net Asset Value. The Investment

Manager believes CoCos offer the Fund with an attractive investment opportunity as they are issued by banks and insurance companies and are issued at a significant discount/higher coupon compared to bank senior and subordinated capital and may offer good relative value compared to other securities issued by a bank. The Fund may also normally invest up to 10% of its Net Asset Value in cash and/or money market instruments such as government debt, commercial paper, bankers' acceptances and certificates of deposit.

The Fund may invest in FDIs for investment, efficient portfolio management and hedging purposes as further described in the section titled "Use of Financial Derivative Instruments (FDI) and other Instruments and Techniques" below. In particular the Fund may enter into currency forwards for hedging purposes. In addition the Fund may enter into Credit Default Swaps ("CDS") for hedging or investment purposes as further described in the section headed "Credit Default Swaps" below. Based on the Investment Manager's assessment of investments (described above), the Fund may sell protection where the Investment Manager is of the opinion that these instruments are a better substitute compared with purchasing debt securities and for the purpose of generating additional income for the Fund. The Fund may also enter into CDS to buy protection where the Investment Manager wishes to decrease the Fund's exposure to credit risk. Investment in currency forwards and CDS will be used on an ancillary basis by the Investment Manager and is not expected to form a substantial proportion of the Fund's overall use of FDIs.

No more than 10% of the Fund's Net Asset Value may be invested in units or shares of Underlying Funds within the meaning of Regulation 68(1)(e) of the UCITS Regulations and the purpose of such investment is to gain exposure to the types of investments described therein.

Other than permitted investment in unlisted securities and FDIs, the Fund's investments will be limited to securities and exchange traded FDIs that are traded on the markets listed in Schedule I of the Prospectus.

#### *Benchmark Information*

From time to time, the Manager, considering the degree of representativeness of underlying markets and their liquidity, strategically selects a benchmark or index (the "Index") appropriate to the Fund's investment policies, in reference to which the Fund is then managed and compared to which the Fund will seek to achieve a similar rate of return, gross of fees. Currently, the Fund is actively managed in reference to the ICE BofAML Merrill Lynch Euro High Yield BB/B Constrained Index. The Manager does not intend to replicate the composition of such Index and may at all times exercise total freedom by investing in securities which are not included in the referenced Index or which are present in different proportions.

The above Index is provided by an administrator, ICE Data Indices LLC, which was recognised under Article 34 of the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "Benchmark Regulation").

#### *Use of Financial Derivative Instruments ("FDIs")*

The Fund may use FDI for investment purposes. The Fund may also engage in transactions with FDIs for the purposes of efficient portfolio management and hedging.

The types of FDIs that the Fund may use are futures, options, swaps (credit default swaps), forward currency contracts and foreign currency forwards and the underlying assets of FDIs will be limited to those investments that the Fund may acquire in accordance with its investment policy. The expected effect of the use of these instruments will be to enhance returns and/or reduce inherent risks affecting the Fund's investments. For information in relation to the risks associated with the use of FDIs, please refer to the "Risk Factors" section of the Prospectus.

*Futures and Forwards:* Futures and forwards may be used to hedge against downward movements in the value of the Fund's portfolio (i.e. the Fund may enter into futures/forwards to sell investments at a fixed price thereby establishing a floor on the price at which investments may in the future be disposed), either by reference to fixed income securities such as bonds or to markets to which the Fund may be exposed.

*Options:* The Fund may acquire options and in particular call options may be used to gain exposure to fixed income securities and can provide an efficient, liquid and effective mechanism for taking a position in securities. Put options may be used to hedge against downside risk by permitting the Fund to sell investments at a fixed price and thereby protect the value of its portfolio in circumstances of a sell-off and decline in market values.

*Credit Default Swaps:* The Fund may use credit default swaps as a substitute for purchasing fixed income securities or for the purposes of hedging exposure to fixed income securities and reducing the credit risk in respect of investments. The Fund may either buy or sell credit protection under credit default swaps. The Fund expects to use credit default swaps for long exposure to fixed income securities and may also take synthetic short positions on fixed income securities and indices, either as a hedge against a long position or for investment purposes.

*Interest Rate Swaps:* The Fund may use interest rate swaps to gain exposure to changes in relevant interest rates or to hedge against changes in relevant interest rates.

*Forward Currency Contracts:* The Fund will use interest forward currency contracts to hedge the foreign currency risk stemming from bonds denominated in currencies other than the Euro, as the case may be, or to mitigate the exchange rate risk between the Fund's Base Currency and the currency designation of a particular Share Class where relevant.

*Long/Short Exposure:* The Fund will not directly short securities but instead may as part of its investment strategy hold short positions through derivatives including currency forwards, interest rate futures and credit default swaps, on fixed income securities. Short positions will be selected based on the Investment Manager's assessment of the valuation of the credit standing of the underlying securities and will be used to hedge against or take advantage of price movements of bonds or bond markets generally. Currency swaps may be used to hedge against foreign exchange risk arising when investments are denominated in a currency other than the Fund's Base Currency. The expected maximum level of long derivative positions which the Fund may hold is 100% of its Net Asset Value, measured on a gross basis using the sum of notionals of the derivatives held by the Fund. The expected maximum level of short derivative positions which the Fund may hold is 100% of its Net Asset Value, measured on a gross basis using the sum of notionals of the derivatives held by the Fund.

*Exposure to Indices:* The Fund may take exposure to indices through the use of credit default swaps as outlined above. The exposure to indices, if any, will comply with the conditions and limits set down in the Central Bank's guidance entitled "UCITS Financial Indices". When an index does not comply with the diversification requirements established by the UCITS Regulations, the Fund will apply a "look-through" approach which allows the Manager to analyse the Fund's exposure to the Index by looking through the derivative position which gives the Fund the relevant indirect exposure to the underlying indices. This allows the Fund to ensure that it meets the risk spreading requirements of the UCITS Regulations. Following this "look through" analysis, if the Fund's consolidated exposure does not meet the risk spreading requirements of the UCITS Regulations, the Fund will have to address this by reducing said exposure. It is not possible to identify the specific indices that the Fund will take exposure to (which may change from time to time), however, the underlying assets of such indices will be fixed income securities that the Fund may acquire in accordance with its investment policy. The Investment Manager will not use indices that rebalance more frequently than monthly; such rebalancing is not expected to have a material effect on the costs incurred within the index. The indices, if any, that the Fund takes exposure to will be included in the financial statements of the ICAV and details of the indices, including details of websites

where additional information can be obtained, will be available to Shareholders upon request from the Manager.

*Securities Lending Agreements:* Securities lending is the temporary transfer of securities by a lender to a borrower, with agreement by the borrower to return equivalent securities to the lender at pre-agreed time. These agreements will only be used for efficient portfolio management to enhance overall returns to the Fund through the receipt of finance charges for the lending by the Fund of securities that it may acquire in accordance with its investment policy and are subject to the conditions and limits set out on the Central Bank UCITS Regulations. The Fund will only act as a lender under securities lending transactions and exposure to securities lending transactions is expected to be 30% of the Fund's Net Asset Value, subject to a maximum exposure of 50% of the Fund's Net Asset Value.

#### *Risk Measurement - Global Exposure and Leverage*

Global exposure is calculated using the commitment approach. Global exposure and leverage as a result of FDIs, as measured using the commitment approach, shall not exceed 100% of the Fund's Net Asset Value.

#### **Investor Profile**

The Fund is suitable for investors seeking to generate income and capital growth over the long term (i.e. 5+ years) through investment in a portfolio of mainly non- Investment Grade bonds and who are willing to accept a moderate to high level of volatility.

#### **Investment Manager**

The Manager has appointed FIL Pensions Management of Beech Gate Millfield Lane, Lower Kingswood, Tadworth, Surrey, United Kingdom, KT20 6RP, to act as investment manager pursuant to an investment management agreement as amended and restated on 13 December 2021. The Investment Manager will provide discretionary investment management services to the Fund subject to the overall supervision of the Manager.

**SFDR Classification:** Article 6 Fund.

#### **SFDR Disclosure**

The investments underlying the Fund do not take into account the EU criteria for environmentally sustainable economic activities. The classification of the Fund as an Article 6 Fund means that the Fund does not promote environmental or social characteristics in a way that meets the specific criteria contained in Article 8 of SFDR or have Sustainable Investment as its objective in a way that meets the specific criteria contained in Article 9 of SFDR.

When assessing the Sustainability Risk associated with the Fund's underlying investments, the Investment Manager is attempting to understand the likelihood of the risk that the value of such underlying investments could be materially negatively impacted by an environmental, social or governance event or condition (see definition of Sustainability Risk in the main body of the Prospectus). While the Investment Manager integrates Sustainability Risk into the Fund's investment decision making process as described below, the output of such Sustainability Risk integration is not the determining factor, nor potentially even among the most prominent factors, considered in the investment decisions of the Investment Manager in respect of the assets which the Fund may buy and/or hold. Accordingly, the Investment Manager may buy and/or hold assets which may expose the Fund to high or low levels of Sustainability Risk.

The Fund integrates Sustainability Risk into its investment decision making process as summarised below:

- i. Prior to acquiring investments on behalf of the Fund, the Investment Manager uses Sustainability Risk metrics of a third party data service provider, and/or Sustainability Risk metrics based on internal research, in order to assess the relevant investment against Sustainability Risk factors and to identify how vulnerable the investment is to such risks; and
- ii. The Investment Manager will comply with the Manager's exclusion list (which is based on the Manager's exclusion policy and compiled by the Manager) whereby potential investments are removed from the investment universe on the basis that they pose a too great Sustainability Risk. The Manager's exclusion policy may be obtained on the Manager's website at: <http://finecoassetmanagement.com/sustainability/>. The Manager's exclusion list may be obtained upon request from the Manager by reaching out to the contact details available on its website at: <http://finecoassetmanagement.com/contact/>.

It has been determined that the Fund may have a higher prospect of being impacted by Sustainability Risk given that the Fund does not promote environmental or social characteristics nor does it have Sustainable Investment as its investment objective. To the extent that a Sustainability Risk occurs, there may be a sudden, material negative impact on the value of an investment, and hence there may be a material negative impact on the Net Asset Value of the Fund. Such negative impacts may result in an entire loss of value of an investment. The Manager and Investment Manager acknowledge that the Fund's exposure to Sustainability Risks is changeable and shall keep the Fund's exposure to these risks under periodic review. Where the Manager and/or the Investment Manager considers, as a result of such a review, that the Fund's approach to the management of sustainability risks is to materially change, these disclosures will be updated accordingly.

It is possible that an assessment of Sustainability Risk may influence a decision by the Investment Manager to not make an investment, or to dispose of an existing investment that would otherwise be considered as attractive to invest in or retain when confining the factors considered to financial-related elements such as financial position, revenue, capital structure.

Please refer to the section of the Prospectus entitled "Sustainable Finance Disclosures" for further information.

**Base Currency:** Euro.

### Offer of Shares

The following Classes of Shares are available for subscription:

Share Class	Initial Offer Price	Initial Offer Period	Currency Denomination and Hedged Class		Sales Charge	Minimum Initial Subscription and Minimum Subsequent Subscription	Distribution Type
Class L Acc	€100	Closed	Euro	No	Yes/ 3%	€1,000 / €100	Accumulating
Class A Acc	€100	Closed	Euro	No	No	€1,000 / €100	Accumulating
Class L Dist	€100	Closed	Euro	No	Yes/ 3%	€1,000 / €100	Distributing

Class I Acc	€100	Closed	Euro	No	No	€1,000,000 / €100	Accumulating
Class D Acc*	€100	2 December 2022 – 1 June 2023	Euro	No	No	€500 /€100	Accumulating
Class J Acc	€10,000	2 December 2022 – 1 June 2023	Euro	No	No	€1,000,000 / €100	Accumulating

\*Class D Shares in the Fund shall only be made available for subscription to such entities or persons as the Manager may determine from time to time in its absolute discretion.

During the initial offer period Shares are available for subscription at the initial offer price as indicated in the table above. Where the initial offer period has closed, Shares will be available at the prevailing Net Asset Value of each Class of Shares.

### Application for Shares

Full details on how to purchase Shares are described in the Prospectus under the section titled "Application for Shares". Investors should note the following deadline that shall apply in respect of applications for Shares of the Fund:

**"Dealing Deadline"** means 11:59 am (Irish time) on the relevant Dealing Day.

**"Valuation Point"** means 4:00 pm (Irish time) on the relevant Dealing Day.

Applications for Shares may be made to the Paying Agent or the Administrator (whose details are set out in the Application Form). Applications received by the Paying Agent or the Administrator prior to the Dealing Deadline for any Dealing Day will be processed on that Dealing Day. Any applications received after the Dealing Deadline for a particular Dealing Day will be processed on the following Dealing Day, unless the Directors in their absolute discretion, in exceptional circumstances, otherwise determine to accept one or more applications received after the Dealing Deadline for processing on that Dealing Day, provided that such application(s) have been received prior to the Valuation Point for the particular Dealing Day.

### Fees and Expenses

The following fees and expenses are payable out of the Fund. Details of how the fees and expenses are accrued and paid, and also details of other general management and fund charges are set out in the Prospectus under the heading "Fees and Expenses".

#### *Manager's Fee*

The Manager shall be entitled to a management fee of up to 1.60% per annum (plus VAT, if any) of the Net Asset Value of each Class of Shares. The fees of the Investment Manager shall be paid out of the Manager's fees and not out of the assets of the Fund.

#### *Administrator's Fee*

Up to 0.3% per annum (plus VAT, if any) of the Net Asset Value of each Class of Shares.

#### *Depositary's Fee*

Up to 0.2% per annum (plus VAT, if any) of the Net Asset Value of each Class of Shares.

### *Sales Charge:*

Up to 3% of the value of the gross subscription, except in respect of an Underlying Fund which is managed, directly or by delegation, by the Manager or by any other entity with which the Manager is linked by common management or control, or by a substantial direct or indirect holding; in which case, in order to avoid double- charging, either (i) the Underlying Fund will waive any sales charge, or (ii) any sales charge will be waived in respect of the Fund. In respect of scenario (ii) above, the principle of equal and fair treatment of the investors will at all times be met by the Fund in accordance with the Central Bank UCITS Regulations.

**If a sales charge fee is incurred, Shareholders should view their investment as medium to long-term.**

### **Risk Factors**

The attention of investors is drawn to the section headed "Risk Factors" in the Prospectus.

#### *Contingent Convertible Bond Risk*

In addition, investors should note the risks of investing in contingent convertible bonds ("CoCos"). CoCos are debt instruments issued by European financial institutions which have loss absorbing features and may convert to equity when a predetermined trigger is met, such as when the issuer's capital adequacy falls. The existence of these trigger events creates a different type of risk from traditional bonds and can result in a partial or total loss of value or alternatively they may be converted into shares of the issuer which may also have suffered a loss in value. Investing in CoCos carry the following (non-exhaustive) list of risks:

Trigger level risk: Each CoCo has its own characteristics and the trigger levels upon which a CoCo is written down or converts to equity may be different for each instrument. Investors in CoCos bear the risk of loss of value due to a loss of capital of the issuer, which may result to the conversion of the CoCo to equity or write down of the value of the CoCo.

Resolution powers: Resolution powers written into statutory law provide resolution or supervisory authorities with powers to ensure that CoCos absorb losses if the issuer is deemed to be non-viable. The point of non- viability is defined as the point at which the resolution authority determines that (i) the institution is failing or likely to fail (ii) there is no reasonable prospect that a private action would prevent the failure and (iii) a resolution action is necessary in the public interest. The point of non-viability may be deemed by the relevant authority to be before the level at which a trigger has been reached.

Coupon cancellation risk: Coupon payments on certain types of CoCo are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

Capital structure inversion risk: CoCo investors may suffer a loss of capital when equity holders do not. In certain scenarios, holders of CoCos will suffer losses ahead of equity holders, e.g., when a high trigger principal write-down CoCo is activated.

Call extension risk: As CoCos may be issued as perpetual instruments and investors may not be able to recover their capital on the optional reimbursement dates provided for in the terms of issue.

Unknown risk: CoCos are relatively new instruments and their behaviour during a period of stressed market conditions may be highly unpredictable. In a stressed environment, if an issuer or issuers suspend coupon payments or convert the instruments to equity there is a risk that investors consider this issue to be systemic, which could have a contagious impact on the market.

Yield/Valuation risk: CoCos often provide attractive yield and tend to compare favourably from a yield standpoint when compared to more highly rated debt issues of the same issuer. However, there is a risk that investors may not have fully understood the risk of conversion of these instrument to equity or the risk of cancellation of their coupon payments.

Conversion risk: It might be difficult to assess how CoCos will behave upon conversion. In the case of conversion into equity, the Fund might be forced to sell these new equity shares at a discount to their normal market value.

Liquidity risk: In the circumstances of the conversion of CoCos or if coupon payments are cancelled, this may affect the liquidity of these instruments and sellers of CoCos may have to accept a significant discount to the expected value of the CoCo in order to sell the instrument.

Write-down risk: Should a CoCo undergo a write-down, the Fund may lose some or all of the original investment in the CoCo.

Subordinated instruments: CoCos are subordinated instruments and rank junior in priority of payment to the claims of all senior creditors and certain subordinated creditors of the issuer.